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THE *Demand and Price* SITUATION

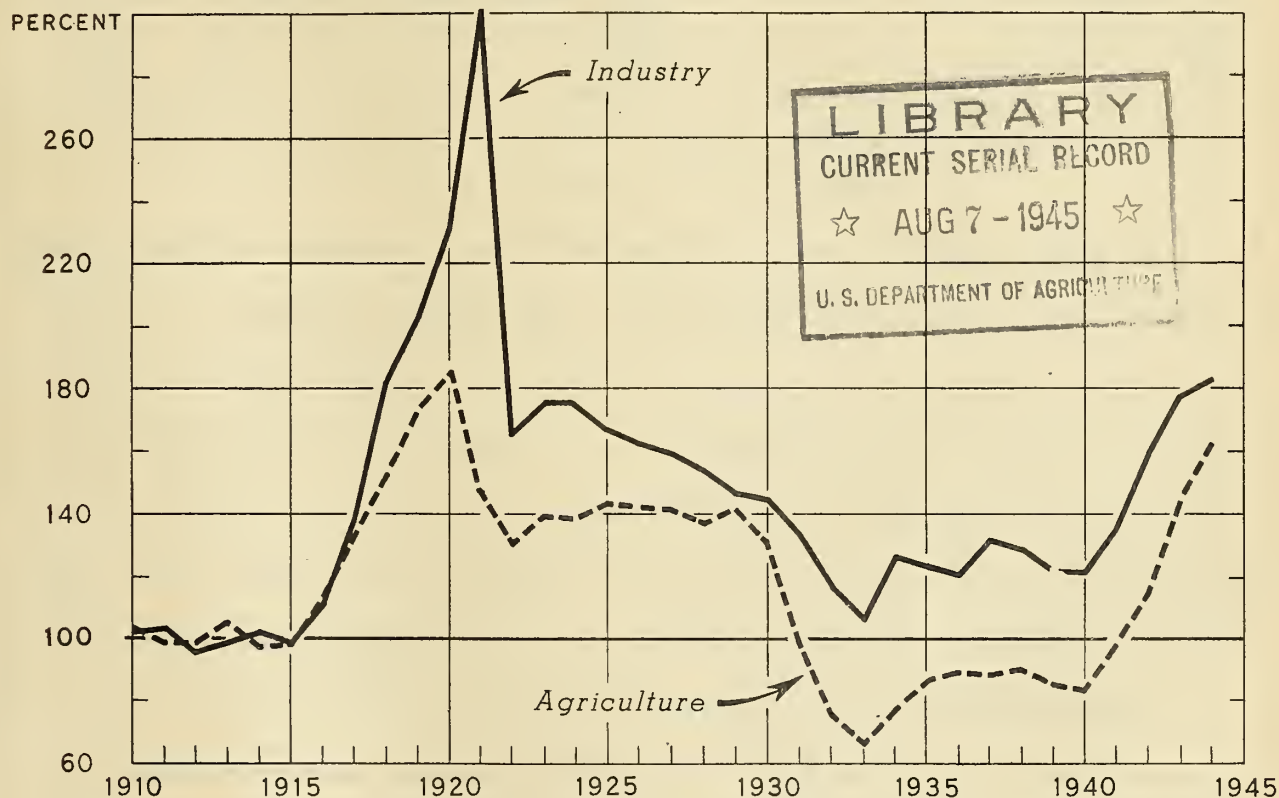
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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BAE

JULY 1945

AGRICULTURAL AND INDUSTRIAL LABOR COST PER UNIT
OF PRODUCTION, UNITED STATES, 1910-44
INDEX NUMBERS (1910-14=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 45405 BUREAU OF AGRICULTURAL ECONOMICS

The agricultural labor cost per unit is computed by taking the index of farm wage rates, multiplying it by the index of farm employment (family and hired), and dividing by the index of agricultural output. Labor cost per unit of industrial production represents the wage income of industrial workers (factory and mining) divided by the index of industrial production.

Labor costs so measured in both agriculture and industry have risen rapidly in the present war, although they have not yet reached the level attained in World War I. During World War I, labor costs in industry rose much more than they did in agriculture, and have never returned to the 1910-14 relationship.

 THE DEMAND AND PRICE SITUATION

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DEMAND FOR FARM PRODUCTS

No significant decline in the general level of demand for farm products is likely before 1946, and prices of most farm products probably will remain near current levels for the remainder of this year. Substantially larger quantities of many farm products would be purchased at present prices if they were available. Declines in consumer incomes as a result of cutbacks in war production following the end of the war in Europe are not likely to be large enough to cause any appreciable decline in prices or quantities purchased.

Nonagricultural income payments in May seasonally adjusted, were slightly below the peak reached in February and March, but higher than a year earlier. National income apparently reached a peak in the first half of this year, at an annual rate (seasonally adjusted) of about 166 billion dollars, slightly above the previous 6 months. National income probably will be slightly lower in the last half of this year, as a result of decreasing war expenditures.

Retail sales in April and May were 10 percent lower in dollar volume than the peak reached in March, and were about the same as in May 1944.

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Declines were general in all types of stores, but were larger for durable goods than for non-durable goods. Since retail prices changed only slightly, the decline in sales since March was caused by a decline in the physical volume of goods sold. Although retailers inventories are somewhat lower than a year ago, the shortage of goods apparently accounts for only a small part of the decline in sales -- much of it resulted from a decline in demand.

Construction activity continues to be maintained at a level well above last year. Contracts awarded in May were nearly one-half greater than in May 1944, although about one-sixth below April. The decline in May was confined entirely to nonresidential construction. Residential construction was one-sixth above April. Construction activity is likely to increase during the remainder of 1945, although it will be hampered by the shortage of lumber and other supplies until after the end of the war with Japan.

Federal budget expenditures for June totaled 9.6 billion dollars, the largest ever recorded and 2 percent above the previous peak reached in March this year. Total expenditures for the April-June quarter amounted to nearly 27 billion dollars, almost 2 billion more than in January-March. War expenditures, as classified by the Treasury, increased only slightly, while other expenditures increased by a large percentage, although the total was still small compared to war expenditures. While war expenditures will doubtless decline as war contracts are cancelled and the size of the armed forces reduced, part of the saving will be offset by larger nonwar expenditures for such purposes as care of veterans and interest on the Government debt.

July 17, 1945

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INDUSTRIAL PRODUCTION

Industrial production (seasonally adjusted) has declined slightly for 3 consecutive months, and in May was the lowest since January 1943. Further declines are in prospect in 1945. Nearly all of the decrease has been in the production of durable manufactured goods. The production of nondurable manufactured goods and minerals has remained nearly constant.

Munitions production in May was 10 percent below May 1944 and slightly under the average for the first 4 months of 1945. The largest reductions during the past year have been in the production of aircraft -- 23 percent, and ships -- 37 percent. Munitions production is expected to decrease at least one-fifth more by the end of 1945.

Manufacturers have shipped more goods during the past year than they have produced. As a result, their inventories declined nearly 7 percent in the 12 months ended April. Among the largest declines for individual industries are 15 percent in food products, 13 percent in transportation equipment (except automobiles), 8.5 percent in iron and steel, and 7.5 percent in chemicals and allied products. Most of these changes, except in food products, were in war goods.

EMPLOYMENT AND PAYROLLS

Employment in munitions plants on June 1, was 600,000 fewer than on March 15, and 200,000 fewer than on May 15. In spite of these reductions, the number of unemployed persons in the United States showed no increase in April and May. Apparently, most of the persons leaving employment in munitions plants found work elsewhere, while the remainder no longer desired to work and consequently are not considered as unemployment.

The number of persons employed in nonagricultural establishments in May was 37.7 million, the fewest for any May since 1941. Most of the decline occurred in factory employment, although it is still nearly 18 percent above May 1939. Further reductions in factory employment are probable, even while the war with Japan continues. Employment in mining has continued to decline in recent months, and is now lower than in 1939, although the output of minerals is 30 percent above 1939. Employment in other types of non-agricultural establishments has been increasing slowly in recent months.

Total nonagricultural salaries and wages have remained almost constant since October 1944, except for a slight rise in December. However, they are appreciably higher than a year ago. There has been a slow decline in salaries and wages paid in commodity producing industries since last October, and slight increases for distributive industries, service industries, and Government. Salaries and wages in commodity producing industries are likely to decline further in the next few months, as the production of war goods drops.

Factory payrolls for April were slightly lower than last month or a year ago. During the past year factory employment has declined somewhat more than payrolls; consequently, payrolls per employed worker increased slightly. However, payrolls per worker for April were slightly below the peak level maintained during the first quarter this year. Declines in overtime and the shifts of some workers from higher wage to lower wage industries are likely to cause further declines in payrolls per worker in the second half of 1945.

AGRICULTURAL PRICES

Prices received by farmers for most farm products in July were not greatly different from June. However, prices of wheat, and of some fruits and truck crops declined seasonally. Prices of eggs advanced. It appears likely that corn prices will rise more than usual in August and September, while the prices of meat animals may decline less than usual.

The index of prices received for June was 206 6/₁₀₀. This is 6 points above the previous month, and the highest since August 1920. Most of the increase in the index from May to June was caused by a contraseasonal rise of 76 points in the index of truck crop prices. There were also 10 point rises in the indexes of fruit and of poultry and egg prices. Other changes were small.

The index of prices paid, interest and taxes for June was 173, the same as for the 3 previous months. This is the peak reached during the present war, but is only 3 points above June 1944. As a result of the rise in prices received, the ratio of prices received to prices paid increased 3 points to 119 for June. The ratio has fluctuated irregularly between 113 and 120 for the past 2 years, and this situation seems likely to continue at least for the next several months.

Farm Income

Cash receipts from farm marketings by months in 1945 for the first half year ran remarkably close to income for comparable months last year, but receipts for July will exceed July 1944 and the total for the period January through July will be slightly above the same period last year. During the first 7 months, receipts from crops each month in 1945 was greater than in 1944. Cash receipts from livestock and livestock products through June were consistently below the same months last year, reflecting marked reductions in hog marketings, but in July they may show a small gain over 1944.

Cash receipts in July may be about 1,800 million dollars, about 17 percent above June and 12 percent above July 1944. Income from livestock and livestock products is nearly the same as in June. The drop in cash receipts from meat animals is less than usual, as the decline in sales of sheep and lambs is nearly offset by increases in the number of cattle and calves sold. Income from poultry and eggs may be up slightly, instead of making the usual decrease. Cash receipts from fruit are showing a greater than usual increase over June. The new crops of apples and peaches are moving onto markets at or near ceiling prices. Large quantities of oranges continue to be sold at about the same prices.

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as in June, with California Valencias now providing practically all the supplies. Increasing quantities of new-crop pears, grapes, and plums are being marketed. The gain in income from vegetables in July, compared with June, is less than usual. Sale of wheat is increasing seasonally, in spite of car shortages.

In August, total cash receipts from farm marketings may be from 5 to 10 percent above July which would exceed those of August 1944. Income from livestock and livestock products probably will be less than in July, reflecting the marked reduction in marketing of hogs. The seasonal decline in income from dairy products will be partially offset by an increase in cash receipts from meat animals. The increase in income from crops may be less than usual. Cash receipts from fruits probably will be about the same as July, as the apple crop is very small, and the peach crop is moving earlier than usual. Shortage of refrigerator cars may reduce movement of citrus fruits and bring about conversion of larger supplies of oranges into juice at lower prices.

Cash receipts from farm marketings in September may be about 5 percent higher than in August, which would be slightly more than September last year. Income from livestock and livestock products will be about the same as in August. Cash receipts from meat animals may increase, rather than remain at August levels as they did last year. Income from poultry and eggs probably will be about the same as in August, compared with a 15 percent increase from August to September 1944. It is expected that cash receipts from crops in September will be substantially above August, and about the same as in September 1944. The greatest gains will be in income from cotton, but fruits will also be marketed in large volume. The gain in cash receipts from food grains will be relatively large, as a record wheat crop is in prospect.

LIVESTOCK AND MEAT

A continuing high level of meat-animal prices is in prospect for the remainder of 1945 and early 1946, with a wide margin between prospective meat supplies and demand, a low level of meat storage stocks, and continuing large meat purchases planned by the Government. Civilian meat supplies during June-December probably will be 25 percent less than the demand at ceiling prices. While supplies for civilians may increase moderately from present levels, beginning in the fall, increased purchases of meat by the armed forces and by the Department of Agriculture probably will account for most of the seasonal increase in production this fall and winter. Prices received by farmers for all species of meat animals are now higher than a year ago, and prices are likely to continue higher through all of 1945.

Total meat production during the first half of this year apparently was around 13 percent less than the record production for the season in the first half of 1944. Meat output in July-September probably will be around 5 percent below that of the same months of 1944, reflecting a lower output of pork, veal, lamb and mutton only partly offset by a prospective increase.

in beef production. Meat production during the fall and winter may be about the same as in the fall and winter of 1944-45. With continuing large slaughter of cattle and a prospective increase in this year's fall pig crop, total meat production in the late spring and summer of 1946 is indicated to be slightly larger than in the same period this year.

Marketings of both grass-fat and grain-fed cattle during the last 6 months of 1945 are expected to exceed the large marketings of the same period in 1944. Calf slaughter probably will also continue large. Total cattle and calf slaughter during the first half of 1945 apparently was around 10 percent greater than a year earlier. With good to excellent pasture conditions over most of the country up to midsummer and near record numbers of cattle on farms and ranches, a large supply of grass-fat cattle should be available for slaughter this fall. Shipments of feeder cattle to the Corn Belt this spring were greater than a year earlier, indicating that the supply of fed cattle for market this summer and early fall will be larger than a year ago. Total shipments of feeder and stocker cattle in April-June to 8 Corn Belt States were 31 percent greater than a year earlier, and were 7 percent greater than the large shipments for the period in 1943.

Hog slaughter in January-June apparently was around 35 percent less than a year earlier. Slaughter through the remainder of the hog-marketing year (until October) probably will be less than a year ago, but as hog marketings have been delayed by feeding to heavy weights, the percentage reduction from 1944 probably will be less than for the first 6 months of the year. During the fall and winter, hog slaughter may be moderately less than a year earlier, reflecting the 7 percent reduction in the 1945 spring pig crop from that of 1944.

This year's lamb crop is indicated to be 5 to 10 percent less than the 29.2 million head in 1944. With a smaller crop raised this year, lamb slaughter during the last half of 1945 probably will be smaller than a year ago.

DAIRY PRODUCTS

Prices received by dairy farmers will be maintained well into 1946 at levels approximately the same as in corresponding months of 1944. For the remainder of 1945 and the first quarter of 1946, unit returns, including dairy production payments, will be about the same as in the corresponding period of 1944 and 1945 on sales of whole milk. Unit returns on sales of butterfat will be substantially higher, because of increased production payments on butterfat. Although feed prices may be slightly higher than in the past season, the milk-feed and butterfat-feed price ratios, including production payments, will continue favorable for the dairy enterprise, at least through the first quarter of 1946.

Supplies of fluid milk will continue at record levels, reflecting the high level of milk production and the comparatively high prices for fluid milk. But supplies of most manufactured dairy products will continue short, even though production of most of them, except butter, is at or near record levels. Procurement by Government agencies of the important manufactured dairy products will probably continue large, and supplies available for civilians will continue insufficient for the demands.

POULTRY AND EGGS

Turkey supplies in 1945, though short of demand, will be at a record level. Turkey production for 1945 will be at least 600 million pounds (dressed wholesale weight basis), 10 to 15 percent above last year. Despite large army procurement, supplies available for civilians probably will exceed any previous year. However, with a high level of consumer purchasing power, demand will still exceed the supply at ceiling prices.

Turkey production in 1946 may at least equal the prospective 1945 production, provided feed supplies are adequate. The past three years have been very favorable for expansion of the turkey industry, and further increases in production are probable during 1946. Demand during the latter part of 1946, however, may weaken, if there are increases in supplies of red meat and some declines in national income. Prices may decline from 1945 levels, but such declines probably not be material.

For the remainder of 1945, prices received by farmers for chickens probably will continue at or near the highest levels ever reached. Demand will remain strong, reflecting scarcity of red meat and large army procurement. Supply of chicken will increase seasonally through November, but the gap between demand and supply has been so great that narrowing of the gap this fall will not affect prices received by farmers significantly.

The egg situation is becoming increasingly tight, and probably will remain so at least until supplies begin to increase seasonally in December. Supplies during the first part of 1946 probably will be at least as large as in the first part of 1945, and demand probably will continue strong. However, with increasing supplies of red meats in late 1946, demand for eggs may weaken, and prices may decline from levels in prospect for the remainder of 1945.

FATS, OILS AND OILSEEDS

Improvement before mid-1946 in the fats and oils situation in the United States will depend mainly on the quantity of Argentine flaxseed and Philippine copra imported in the first half of 1946. With world supplies short, imports of fats and oils into the United States in the latter half of 1945 may be the smallest since July-December 1942. Present indications are that production from domestic materials will be smaller than a year earlier in the second half of 1945, and about the same in the first half of 1946 as in January-June 1945. Inventories of fats and oils are now about 1 billion pounds (nearly 40 percent) smaller than a year ago. Supplies of most fats and oils will continue to be short of demand at ceiling prices well into 1946.

Total acreage of oilseeds in 1945 is about 1.2 million acres (3 percent) smaller than last year. Cotton acreage in cultivation of July 1, at 18.4 million, was 2 million (10 percent) less than a year earlier. The acreage of soybeans grown alone for all purposes this year is 13.3 million, about 0.3 million less than last year. Peanut acreage is only slightly smaller than in 1944, with nearly 4.0 million acres grown alone for all purposes both this year and last. Planted acreage of flaxseed increased about 36 percent, from less than 3.1 million last year to over 4.1 million this year.

With the reduction in cotton acreage in 1945, output of edible vegetable oils in the first 6 to 8 months of 1946 is likely to be substantially less than in the corresponding period of 1945. Lard production in the spring and summer of 1946, however, may be about 100 million pounds larger than a year earlier. The 1945 fall pig crop, which will be marketed from April to October 1946, is indicated to be about 4 million pigs (13 percent) greater than a year earlier.

Flaxseed production in 1945 is forecast at 32.7 million bushels, 9.2 million bushels more than a year earlier. Despite this increase in the crop, relief of the shortage in linseed oil depends mainly on imports of Argentine flaxseed in early 1946. Supplies of linseed oil from domestic sources will be smaller in 1945-46 than in the preceding season, as the increased crop of flaxseed does not fully offset reduced inventories of flaxseed and linseed oil on July 1, 1945, from the exceptionally high level of a year earlier. Exports of linseed oil will be materially reduced in 1945-46.

CORN AND OTHER FEED

The quantity of feed concentrates available for the 1945-46 feeding year (beginning October), on the basis of July indications, may total about 153 million tons compared with about 161 million in 1944-45. Approximately the same total livestock output probably could be obtained in 1945-46 as in 1944-45 by reducing carry-overs of corn, oats, and barley to about the level reached at the end of 1943-44, by feeding more wheat than in the 1944-45 season and importing nearly as much grain as in 1944-45.

The 1945-46 supply of feed grains, on the basis of July 1 prospects, may total about 124 million tons. This supply would be 8 million tons smaller than the large supply of 132 million tons for 1944-45, and would be 4 million tons less than the 1939-43 average. The total number of grain-consuming animal units on January 1, 1946, probably will not be greatly different from the number on hand last January 1. The supply of feed grains per grain-consuming animal unit in the 1945-46 season may be about 5 percent smaller than in 1944-45. About 5 million tons of corn, oats, and barley were added to the carry-over in 1944-45.

Pastures have seldom looked better than they do this year. Except for the drought area in the Southwest, ranges are in good condition. The indicated hay supply is 113 million tons, about 5 percent larger than the 1944 supply, and the second largest on record.

The July 1 indication of corn production of 2,685 million bushels is 543 million bushels less than the production in 1944. The reduction in output will be partly offset by an increase of about 200 million bushels in the carry-over of old-crop corn next October 1. The acreage of sorghums for harvest (excluding sorghums for sirup) is indicated to be 13 percent less than the record acreage harvested last year. Barley production, indicated at 256 million bushels, would be 29 million bushels less than in 1944. On the other hand, the largest crop of oats since 1920 is in prospect. Production of oats is estimated at 1,419 million bushels, 253 million bushels more than in 1944. Farm stocks of oats on July 1, totaling 211 million bushels, were 26 million bushels larger than a year earlier.

Demand for corn was exceptionally strong in June and early July. Record large quantities of corn have been marketed since last October. Demand during the spring appears to have been somewhat stronger than would normally be expected, with indicated current requirements. A factor in the strong demand probably has been apprehension on the part of mixed feed manufacturers and industrial processors that marketings of corn might become small, as in the spring of 1944, when Government action was taken to secure corn supplies for processors. Also, the late plantings of corn this year apparently have given rise to some concern as to the outcome of the crop.

Prices of corn and grain sorghums advanced more than seasonally during June and early July, while prices of oats and barley advanced contraseasonally. Market prices of the better grades of all feed grains are at ceiling levels.

A strong demand has existed for almost all kinds of byproduct feeds in recent months, and supplies of such feeds have been readily taken as they have become available. Feed mixers are experiencing a greater demand for their products, particularly poultry and dairy feeds, than ever before. This reflects an unprecedented hatchery production of chicks during the past few months, and the large quantity of grain and other feed concentrates per animal being fed to a record number of milk cows.

WHEAT

With new-crop wheat moving not only in Texas and Oklahoma, but also in the southern half of Kansas, the price of low protein hard wheat and soft red wheat declined about 12 cents from the levels of a month earlier, and on July 18 was about 13 cents below ceilings. The price of high protein hard winter wheat, however, is still at ceiling levels. Prices of this type are expected to continue strong because of the exceptionally large military and lend-lease purchases of flour, in addition to purchases for domestic requirements. Crop prospects for soft red wheat are better than in the past 3 years and above average, but increased demand and the need to replenish depleted stocks will check the price decline.

High protein spring wheats are expected to continue strong along with high test winter wheat, even after the new crop movement begins. Durum supplies have been very short, and with another small crop indicated, prices probably will continue at about ceilings. While prices of high protein wheats in the Pacific Northwest are at ceiling levels, the price of soft white wheat is currently about 17 cent less than the ceiling, and is expected to continue weak, because of limited demand for wheat exports from the area.

The domestic wheat supply for the 1945-46 year is now indicated to be about 1,445 million bushels, consisting of a carry-over estimated to be about the same as the 316 million last year and a record crop currently indicated at 1,129 million bushels. The supply this year is slightly above the 1,395 million bushels a year ago, and considerably above the 973 million prewar (1932-41) average.

Disappearance for the year ended June 30, 1945, is estimated, in million bushels, as follows: Civilian and military food 550, seed 81, industrial alcohol 85, exports 145, and feed 260. In 1945-46, disappearance is expected to continue large. Quantities of wheat for feed and alcohol will depend very largely upon the outturn of the corn crop. The greatest difference in disappearance will be in exports, which in 1945-46 are expected to exceed 200 million bushels. All in all, disappearance in 1945-46 may exceed the indicated 1,129 million bushel crop. This would mean that the carry-over July 1, 1946, would be reduced from the 1945 level.

Early season prospects are that the 1945 world wheat production, excluding that of the USSR and China, may be slightly below the production in 1944. Wheat stocks in the 4 major exporting countries -- Canada, Argentina, Australia, and the United States -- on July 1, 1945, appear to have totaled about 900 million bushels. This is below the 1,167 million bushels in 1944, but above the 10-year prewar average of 734 million bushels. It is too early to appraise the world supply and requirements situation for 1945-46 accurately, but it appears that supplies will be adequate to meet requirements

FRUIT

Prices for fruits in early July continued at high levels, in general at or near ceilings. Continued high prices for fresh fruits are in prospect this summer, although prices for peaches and possibly oranges may decline somewhat, under the pressure of seasonally large supplies.

Prices for peaches at country shipping points and terminal markets, which were at ceiling levels during the early part of the season, declined in late June and early July, partly in response to a scheduled seasonal decrease in ceiling prices and partly as a consequence of heavy shipments. During the period of large shipments extending into August, prices are likely to fall somewhat below the prevailing ceilings. Prices received by farmers for the new crop are expected to average somewhat lower than for the 1944 crop, because of this year's record large national peach crop of 80 million bushels, lower ceiling prices for fresh peaches than the "disaster" ceilings last season, and lower grower prices for eastern peaches for processing.

Prices for western sweet cherries on the New York City and Chicago auction markets declined slightly below ceilings in late June and early July, as shipments reached a peak for the season. Such prices are likely to return to ceiling levels later this month as shipments decline seasonally. However, prices for this season's above-average crop of 90,000 tons of sweet cherries are expected to average somewhat lower than for last season's slightly smaller crop. Designated grower prices for sour cherries for processing are markedly higher this season than last in the eastern States, where yields are substantially below average. Such prices are slightly higher in the western States, because of a slight increase in the parity price. Prices on the New York City and Chicago wholesale markets continued at ceilings in early July. Prices for this season's short crop of 37,000 tons of sour cherries are expected to average considerably higher than prices for last season's record large crop of 117,000 tons.

California Beauty plums on the Chicago wholesale market have sold at ceiling prices since the opening of the season in mid-June. Prices for this year's near-average crop of fresh plums are expected to continue at ceilings.

Season opening prices for California grapes on the New York City and Chicago auctions in late June were at levels substantially below a year earlier. With the ceiling prices now in force for this year's crop of California-Arizona table and juice grapes, prices for these grapes may average considerably lower this season than last. Although total production of grapes is indicated to be about as large this year as last, the crop in California is slightly larger, and the crop in other States is correspondingly smaller.

Prices for this season's record small crop of 70 million bushels of commercial apples are expected to be at ceiling levels and average somewhat higher than last season. Thus far this season, prices for early apples of the new crop have been at ceilings, which have been adjusted upward 60 cents a bushel until July 20 -- 70 cents to compensate growers for reduced yields and an additional 70 cents to introduce a seasonal differential.

California Valencia oranges and California-Arizona grapefruit on the New York City and Chicago auction markets continued to sell at ceiling levels throughout June and early July. Prices for the remaining small supplies of grapefruit are expected to continue at ceilings this summer, but prices for oranges may not stay at ceilings because of seasonally large supplies. Prices for California lemons were near ceilings in late June, but declined considerably on the New York market in early July. With supplies remaining to be marketed after July 1 substantially larger than a year earlier, prices are likely to remain somewhat below ceilings, unless demand is stimulated through continuous warm weather.

TRUCK CROPS

Commercial Truck Crops for Fresh Market

As fresh vegetable supplies become seasonally more abundant from locally grown produce, the prices farmers receive for most truck crops for fresh market sales probably will decline, averaging lower in July and August than they did during June. Prospects for summer production of commercial truck crops for fresh market are average or better for most of the 19 crops reported so far, but a little below average for green lima beans, cabbage, green peas, spinach and cucumbers. However, the seasonal declines in price are expected to be relatively smaller than usual. Prices for many truck crops were sustained at unexpectedly high levels in June, considerably above corresponding periods last year, in spite of carlot shipments larger than last year. The strong demand no doubt arises in part from the general and continuing scarcity of other foods.

Prices received by farmers for about one-half of the truck crops commercially grown for fresh market shipment, declined moderately during late June and early July, partly because of seasonal increases in market supplies available and partly because of scheduled decreases in ceiling prices. The average price of 14 important vegetables on the New York wholesale market during the week ended July 7, 1945, was 8 percent below the price in the corresponding week of the previous month, but 16 percent above the corresponding week a year earlier.

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Price controls on sales of snap beans, cabbage, cucumbers, eggplant and sweet peppers have been suspended for the periods when volume production of these vegetables normally keeps prices below ceiling levels. Suspension began July 1 for snap beans and cabbage, July 16 for eggplant and sweet peppers, and begins August 1 for cucumbers. Suspension will continue--under present provisions--through September for snap beans, cabbage and cucumbers, and through December for eggplant and sweet peppers. The OPA has announced that production prospects make it necessary for ceiling prices to be maintained on spinach during the summer. Spinach was not under price control last summer (MPR 426, Amdt. 121).

Commercial Truck Crops for Processing

The aggregate acreage of 11 important processing vegetables planted in 1945 may be slightly larger than last year and more than 30 percent greater than the average aggregate plantings of 1,605,100 acres for the 10 years, 1934-43. A record-high production of green peas for processing is in prospect, and production of snap beans for canning and freezing is indicated to be about 11 percent more than in 1944.

The total supply of canned vegetables for civilians from the 1945 pack will be considerably less than civilians received last year. In general the supply will be inadequate to meet demand, and continued emphasis on Victory Gardens and home preservation of vegetables is desirable.

Commercial canning of the important vegetables is being stimulated again this year by a subsidy program substantially the same as that in effect in 1944, with a special increase in subsidy to processors for canned tomatoes, in order to encourage processors to shift to this item from the production of canned tomato products such as tomato juice, tomato puree, and tomato catsup.

POTATOES AND SWEETPOTATOES

Prices for new-crop potatoes are expected to continue at or near ceiling levels well into August, when civilian demand for potatoes may slacken somewhat, as a result of the combination of hot weather and a fairly plentiful supply of other shipped-in and locally-grown vegetables. Despite a record-large early commercial crop, prices for new potatoes generally have been held up to ceilings thus far by relatively heavy withdrawals for the military services, by continued strong civilian demand, and by Canadian demand for B-size potatoes to alleviate the shortage in that country resulting from their heavy late-spring exports to the United States and the lateness of their early crop.

Although the late potato crop must yet pass a number of hazards such as that of early frost damage, the record-high yield per acre now indicated would more than make up for the slight reduction from 1944 to 1945 in acreage for harvest. The crop of more than 400 million bushels now in prospect would be exceeded only by the crops of three other years of record. However, increased military requirements for potatoes together with possible increases in exports and shipments for other purposes, may reduce the crop-year supply for domestic civilians to a quantity not greatly different from that available to them in 1944-45.

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The basic schedule of ceiling prices established on the 1945 intermediate and late crops is essentially the same as the schedule set for the 1944 crop, exclusive of disaster adjustments, with minor geographical regroupings and seasonal adjustments.

Sweetpotatoes probably will continue to sell generally at ceiling prices well into August, when substantially heavier shipments may be expected. Shipping point ceiling prices for sweetpotatoes are scheduled to decline (in 3 steps), a total of \$1.25 per bushel from their seasonal high period (May 11 to July 15) to their seasonal low period (September 26 to November 10, usual time of peak marketings). The size of the 1945 crop are now anticipated (64,077,000 bushels) is 11 percent below the 1944 crop, and 4 percent less than the 10-year (1934-43) average production.

In order to stimulate maximum production of sweetpotatoes, the ceiling price schedule on the 1945 crop has been constructed to permit a season average ceiling 17 cents per bushel higher at the shipping point than was allowed by the 1944 crop ceilings.

DRY EDIBLE BEANS AND PEAS

Prices received by farmers for dry edible beans and dry smooth peas are expected to continue to reflect the relatively high grower-price support levels which are being maintained in order to stimulate needed wartime production. Although the support prices for the 1945 crop of dry beans are considerably higher for preferred types and varieties than for the 1944 crop, the acreage indicated for 1945 harvest is only about 88 percent of that harvested in 1944, and slightly below the average acreage harvested for the 10 crops, 1934-43. The prospective 1945 crop is about 6 percent below the 1934-43 average and about 7 percent below last year's crop.

The prospective crop of dry peas in 1945 (6-1/2 million bags, 100 pounds each, uncleaned) is more than double the prewar average production, though about one-fourth smaller than last year's large crop. Substantial quantities apparently will be available for war relief feeding. Prices to growers for 1945-crop dry smooth peas are being supported at a level about 25 percent lower than the support level for the 1944 crop.

COTTON

Cotton prices weakened slightly in mid-June, following the announcement that the initial purchase price under the 1945 cotton purchase program, which will become effective in August, would be 22.15 cents per pound or 10 points less than the June level. The 10-market price of Middling 15/16-inch cotton during the month ended July 15 averaged 22.62 cents as compared with 22.71 cents a month earlier. The range in prices this month of 35 points (between 22.73 cents on June 18 to 22.38 cents on July 3) compares with a range of 22 points a month earlier (between 22.59 cents and 22.81 cents per pound).

Consumption of cotton for the entire season seems likely to total about 9.7 million bales, and indications are that the carry-over of cotton this August 1 will be larger than for any of the past 3 years.

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The 1945 cotton acreage has been officially estimated at 18,355,000 acres as of July 1. This is 2.0 million acres or 9.8 percent less than in 1944. The largest reduction, 954,000 acres, occurred in Texas. Other sizeable reductions were in Arkansas, North Carolina, Oklahoma, Missouri, and Georgia. The largest percentage decline -- 34 percent -- occurred in Missouri, followed by North Carolina -- 22 percent, and Texas -- 13 percent. Georgia, Tennessee, Arkansas, Louisiana, and Oklahoma showed declines ranging from 8 to 10 percent. The only areas to show an increase from last year were the irrigated States, where the acreage increases ranged from 3 to 5 percent.

The marked reduction in acreage reflected, in large part, adverse weather at planting time. Acreage reduction in Texas resulted largely from extreme drought in the northwestern part of the State, while excessive and continued rainfall hindered planting in the Mississippi River Delta area in Missouri, Arkansas, and Louisiana. A contributing factor in many States was the relatively short supply of labor at planting time, and fear of repetition of the difficulty encountered in harvesting the 1944 crop.

WOOL

Prices received by farmers for wool will remain about at the present level through June 30, 1946, since the current support program supplies to all wool offered to the CCC and appraised prior to that date. The average price to growers of 40.6 cents per pound for the first 6 months of 1945 was one-half cent a pound lower than for the corresponding months last year. The lower prices to growers this year may be due, in part, to differences in the quality and shrinkage of the wools, since prices on a clean basis under the CCC support program for 1945 are essentially the same as under the 1944 program.

Mill use of apparel wool in 1945 probably will exceed a billion pounds, grease basis, for the fourth consecutive year, and is likely to continue at this rate into 1946. Consumption in the first 4 months of this year was at an annual rate of 1,160 million pounds, a new record high for any 4-month period. Consumption is likely to decline somewhat during the summer, unless programs recently instituted by the WPB to increase production of wool textiles are sufficiently successful to offset the seasonal decline. Mills reported that 35 percent of the wool used in the January-April period this year was domestic wool, compared with 28 percent in the corresponding months last year. The trend in consumption of domestic wool during the first 4 months this year, however, was downward, and unless the rate is again increased, use of domestic wool in 1945 will again fall short of domestic production.

The outlook for civilian supplies of wool textiles for the latter part of 1945 and early 1946 has recently improved, owing to some easing in military requirements. But supplies will continue short of the quantity which civilians would purchase, if available. Total production of civilian fabrics in 1945 will be considerably smaller than the 1944 production, and smaller than the pre-war average (1934-38). However, a much larger proportion of the 1945 civilian production will consist of apparel fabrics than in pre-war year. Limited production of drapery and upholstery fabrics and the virtual elimination of auto cloth production has greatly increased the proportion of apparel fabrics in the total output during the war years. Furthermore, with a considerable number of younger men in military

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service, requirements for civilian men's wear have been reduced, and a much larger than usual percentage of the civilian production is being devoted to women's and children's wear. Requirements for men's wear fabrics and non-apparel fabrics will increase, with the return of men from the services to civilian life, and the resumption of auto production.

TOBACCO

The 1945-46 flue-cured marketing season is scheduled to begin July 24 with the opening of the Georgia-Florida markets. A strong demand for the leaf and favorable prices are expected again this season. With the exception of a small quantity of Maryland (type 32), all of the 1944 crop of tobacco has been sold. Practically all grades of Maryland on the auction markets and on the Baltimore hogshead market continue to sell at the 57-cent ceiling. Through July 12, approximately 25 million pounds (about 78 percent of the crop) had been sold at an average of 55 cents per pound.

Disappearance of leaf tobacco during the past 12 months was the largest in history, and despite the record-breaking 1944 crop, stocks of most types are somewhat smaller now than a year ago. A slight decrease in stocks is indicated for flue-cured, dark, and cigar tobacco, but substantially larger holdings of burley are indicated. With the large 1945 crop (now forecast at 1,890 million pounds), the 1945-46 indicated season supply is slightly larger than a year earlier.

Consumption of tobacco products, including the overseas military is continuing at or near the war-time peak. Although Government purchases of cigarettes have been reduced since V-E Day, inadequate supplies still restrict domestic consumption. Sales of revenue stamps during the 12-month period ending June 30, indicate a domestic consumption of about 240 billion cigarettes compared with 258 during the preceding 12 months. Domestic consumption during May, however, was slightly above the corresponding month of 1944. Domestic consumption of cigars has increased slightly in recent months, while chewing tobacco, smoking tobacco and snuff have shown substantial increases over a year earlier.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	:Unit of : : base :period	1944			1945		
		Year	June	Mar.	Apr.	May	June
Industrial Production <u>1/</u>	:1935-39 :						
Total	=100 :	235	235	235	230	226	222
All manufactures	" :	252	251	252	247	242	235
Durable goods	" :	353	354	345	336	326	313
Nondurable goods	" :	171	169	176	174	173	173
Minerals	" :	140	142	142	140	138	145
Construction activity <u>1/</u>	:1935-39 :						
Contracts, total	=100 :	73	59	125	122	101	86
Contracts, residential	" :	39	37	37	44	49	56
Wholesale prices <u>2/</u>	:1935-39 :						
All commodities	= 100 :	129	129	131	131	132	132
All commodities except farm and food	" :	121	121	122	122	122	123
Farm products	" :	162	164	167	170	171	172
Food	" :	133	135	132	134	135	136
Prices received and paid by farmers <u>3/</u>	:1910-14 : : =100 :						
Prices received, all prod.	" :	195	193	198	203	200	206
Prices paid, int. and taxes	" :	170	170	173	173	173	173
Parity ratio	" :	115	114	114	117	116	119
Cost of living <u>5/</u>	:1935-39 :						
Total	=100 :	126	125	127	127	128	---
Food	" :	136	136	136	137	139	---
Non food	" :	120	120	122	122	122	---
Income	:1935-39 :						
Nonagricultural payments <u>4/</u>	=100 :	231	231	240	238	238	---
Cash farm <u>3/</u>	" :	265	275	294	296	293	287
Income of Industrial Workers <u>3/</u> ..	" :	325	327	318	310	299	---
Factory payrolls <u>5/</u>	" :	356	356	346	338	322	---
Weekly earnings of factory workers <u>5/</u>	: Dollars :						
All manufacturing	" :	46.08	46.24	47.43	47.12	46.08	---
Durable goods	" :	52.07	52.14	53.25	52.92	51.58	---
Nondurable goods	" :	37.12	37.30	38.95	38.80	38.23	---
Employment	:						
Total civilian <u>6/</u>	:Millions:	51.8	53.2	50.8	51.2	51.3	---
Employees in nonagri. est. <u>5/</u> ..	:Thous.:	36,682	38,824	38,062	37,804	37,654	---
Farm <u>3/</u>	" :	10,037	11,285	8,414	8,982	10,017	10,994
Government finance (Federal) <u>7/</u>	:Mil.dol.:						
Receipts, net	" :	3,702	6,247	6,892	2,929	3,085	5,914
Expenditures	" :	8,097	8,625	9,433	7,968	9,275	9,641

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury.

Data for 1944 are on average monthly basis.

